CONFLUENT

INVESTOR DAY

Forward Looking Statements and Non-GAAP Financial Measures

This presentation and the accompanying oral presentation (together, the “presentation”) contain forward-looking statements including, among other things, statements regarding our business, strategy, financial performance and outlook, customers, technology, market opportunity, products, growth, and our overall future prospects. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “plan,” “project,” “target,” “looking ahead,” “look to,” “move into,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our current beliefs, estimates and assumptions only as of the date of this presentation and information contained in this presentation should not be relied upon as representing our estimates as of any subsequent date. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: (i) our limited operating history, including in uncertain macroeconomic environments, (ii) our ability to sustain and manage our rapid growth, including following our recent restructuring, (iii) our ability to attract new customers and retain and sell additional features and services to our existing customers, (iv) inflationary conditions, economic uncertainty, recessionary risks, and exchange rate fluctuations, which have resulted and may continue to result in customer pullback in information technology spending, lengthening of sales cycles, reduced contract sizes, reduced consumption of Confluent Cloud or customer preference for open source alternatives, as well as the potential need for cost efficiency measures, (v) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, and successfully add new features and functionality to our offering, (vi) our ability to achieve profitability and improve margins annually, by our expected timelines or at all, (vii) our ability to operate our business and execute on our strategic initiatives following our recent restructuring, (viii) the estimated addressable market opportunity for our offering, including our Flink offering and stream processing, (ix) our ability to compete effectively in an increasingly competitive market, including achieving market acceptance over competitors and open source alternatives, (x) our ability to successfully execute our go-to-market strategy and initiatives and increase market awareness and acceptance of the benefits of our offering, including the total cost of ownership benefits of Confluent Cloud, (xi) our ability to attract and retain highly qualified personnel, which could be negatively impacted by our recent restructuring, (xii) breaches in our security measures or unauthorized access to our platform, our data, or our customers’ or other users’ personal data, (xiii) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, and (xiv) general market, political, economic, and business conditions, including continuing impacts from the COVID-19 pandemic. These risks are not exhaustive. Further information on these and other risks that could affect Confluent’s results is included in our filings with the Securities and Exchange Commission (“SEC”), including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and our future reports that we may file from time to time with the SEC. Confluent assumes no obligation to, and does not currently intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Certain financial measures we use in the presentation are expressed on a non-GAAP basis. We use these non-GAAP financial measures and other key metrics internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation between these GAAP and non-GAAP financial measures is included in the Appendix to this presentation.

CONFLUENT

Driving Efficient Growth

Steffan Tomlinson
CFO

STRONG AND CONSISTENT EXECUTION

DURABILITY OF GROWTH

BALANCING GROWTH AND PROFITABILITY

Strong and Consistent Execution

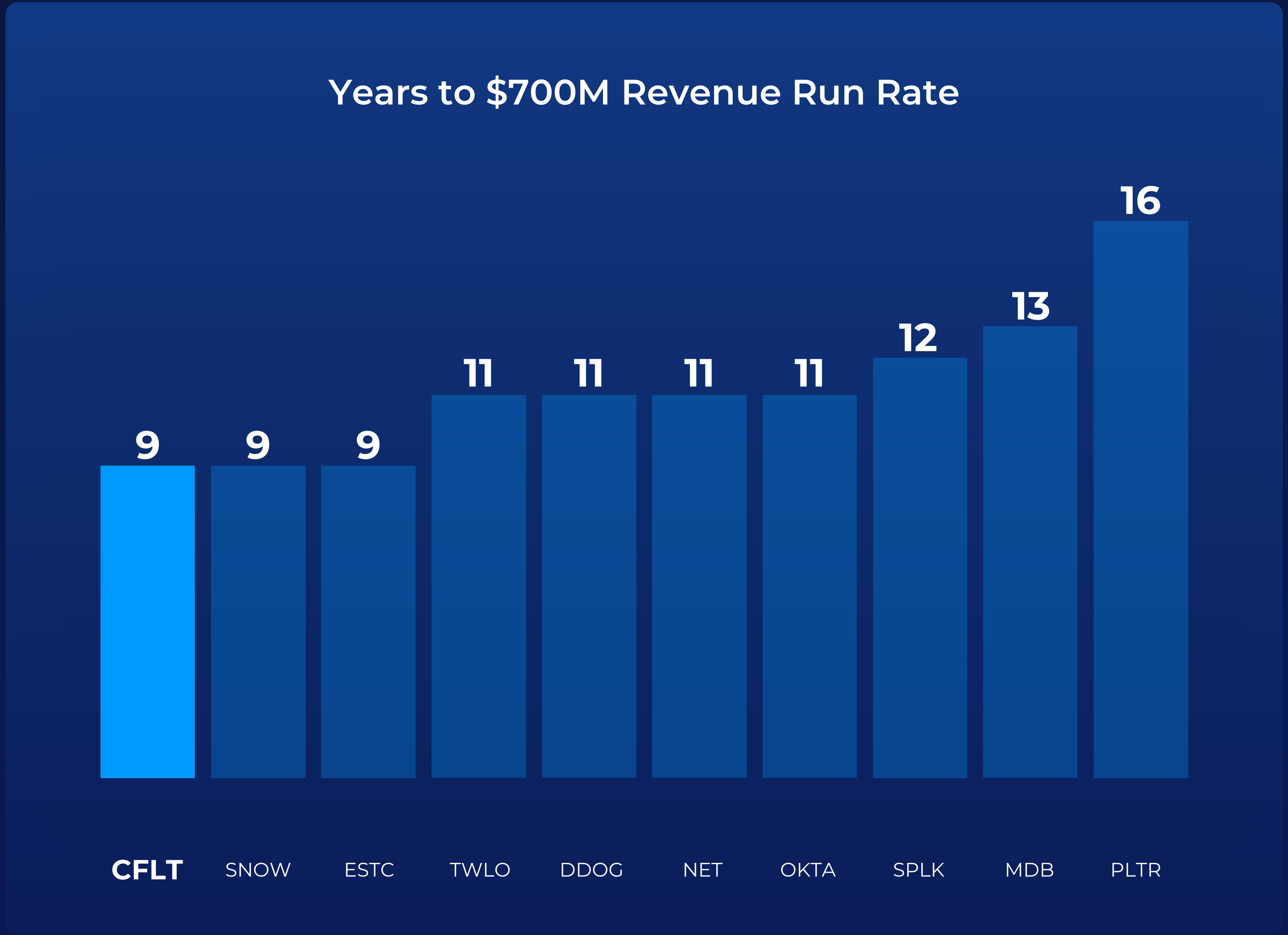
Confluent Momentum Since IPO

	TOTAL REV RUN RATE	CLOUD REV RUN RATE	NON-GAAP OP MARGIN
At IPO (Q1'21)	$308M	$56M *Cloud Mix: 18%*	(41%)
	>2x	**>5x**	**+18pts**
Now (Q1'23)	~$700M	~$300M *Cloud Mix: 42%*	(23%) *Q4'23 Target: 0%*

Best-in-Class NRR and Gross Retention

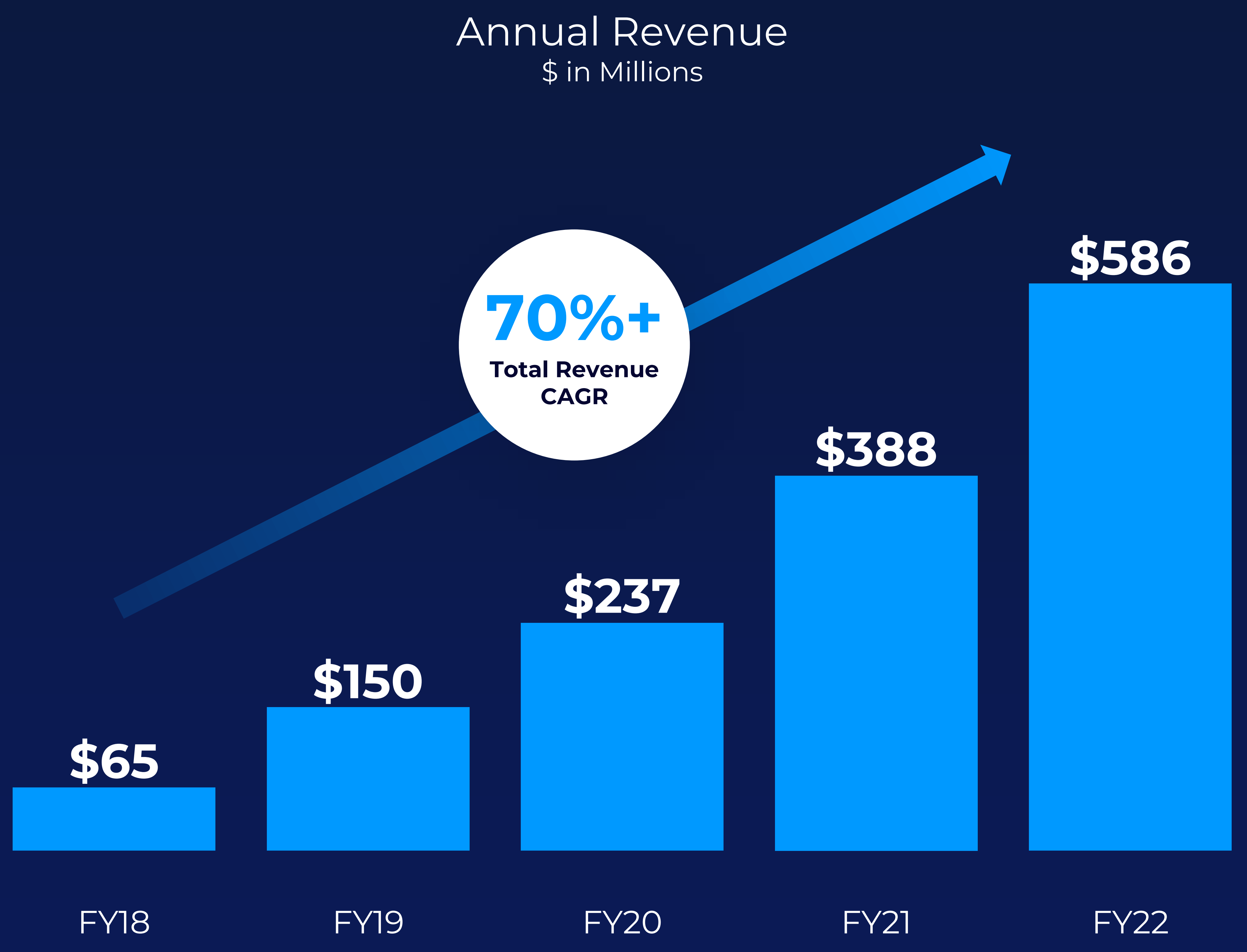
Note: Refer to the slides in the section titled "GAAP to Non-GAAP Reconciliations" in the Appendix, for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial measures.
Q4'23 target non-GAAP operating margin of 0% is as of Confluent's Q1'23 earnings call dated May 3, 2023.

Top Quartile for Revenue Growth and Time to Profitability



Note: Time to profitability defined as the first publicly reported fiscal quarter with positive non-GAAP operating margin and based on number of days since founding date; Datadog's profitability calculated based on Q1'17 and FY17 full year non-GAAP operating margin periods; Splunk's profitability calculated based on Q4'14 and FY15 full year non-GAAP operating margin periods; CFLT's years to profitability is based on Q4'23 estimates.
Peer data derived from publicly available sources, including SEC filings. Non-GAAP operating margin for peers may not be calculated in the same manner as for Confluent.

Consistent Execution at Scale

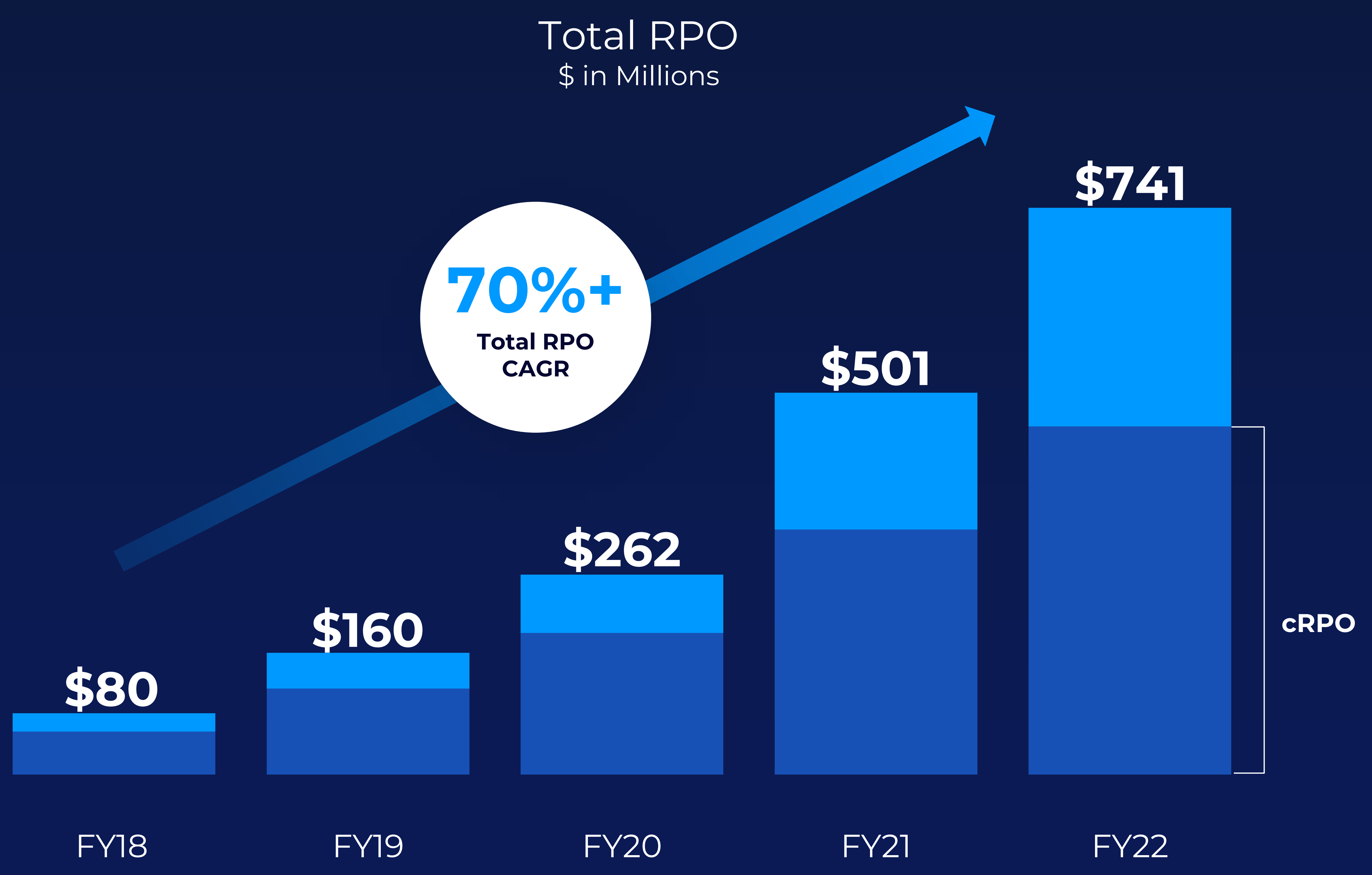


Strong TCO & ROI
vs. Alternatives

Product Superiority
Cloud Native, Complete, Everywhere

Hybrid Model
Confluent Platform (CP) and Confluent Cloud (CC)

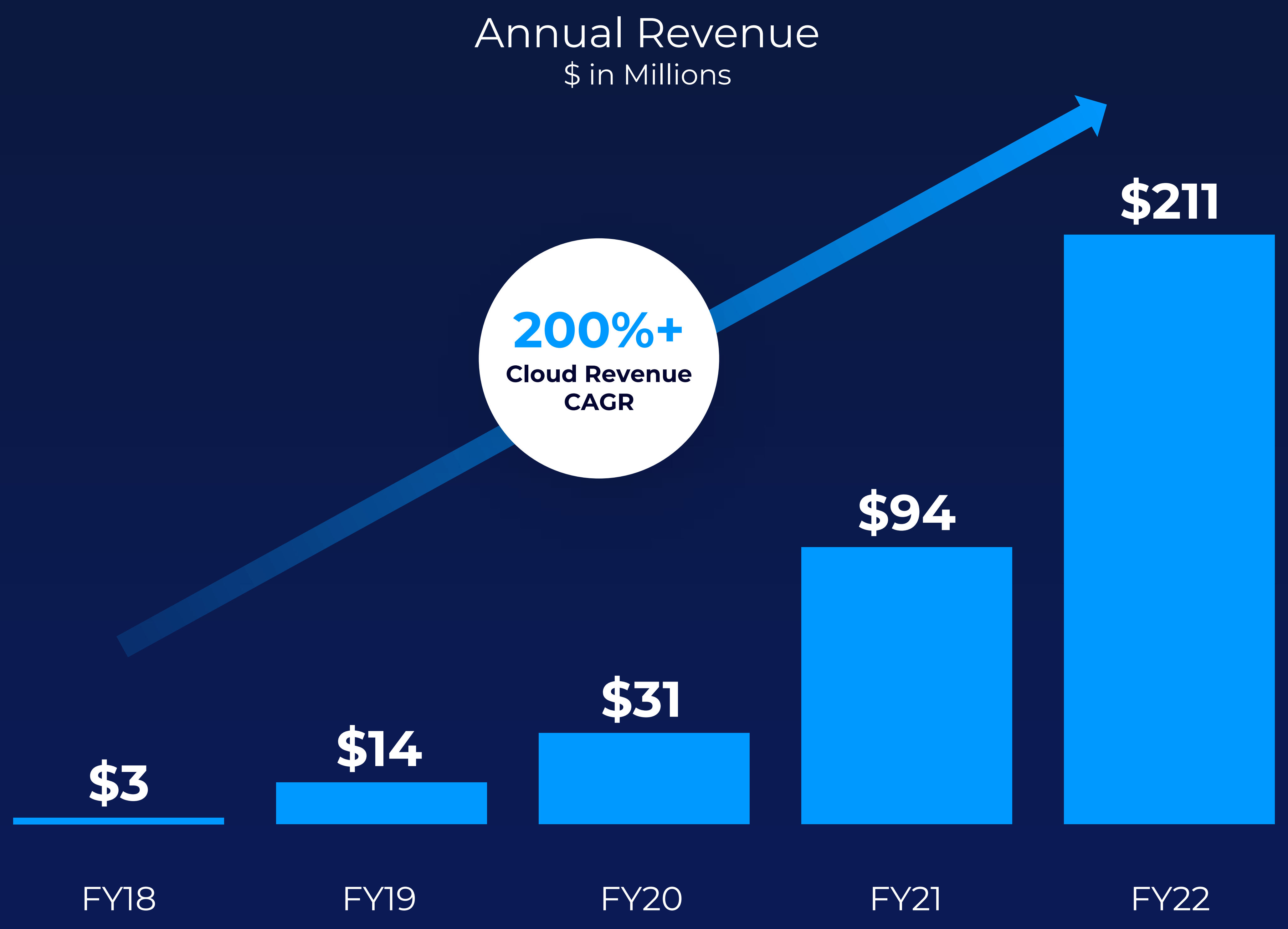
Strong Customer Commitments Provide High Revenue Visibility



69%
cRPO CAGR FY18-FY22

~60%
cRPO to Revenue Visibility

Cloud Leading the Way



10x
Better than DIY Kafka

>140%
Best-in-Class Cloud NRR

50%+
>$100K ARR Customers Using Cloud in Q1'23

Note: >140% Cloud NRR refers to FY22-Q1'23 periods under consumption methodology.
See Appendix for the "Cloud NRR" definition.

Large Diversified Customer Base

4,690

Total Customers

+10x

Growth from 2018 Driven by Cloud Adoption

>100

Countries Worldwide

Serving **highly diversified industries**

Note: Stats based on Q1'23.

The Durability of Our Growth

Driving Durable Growth

1

Large and growing $60B+ TAM

2

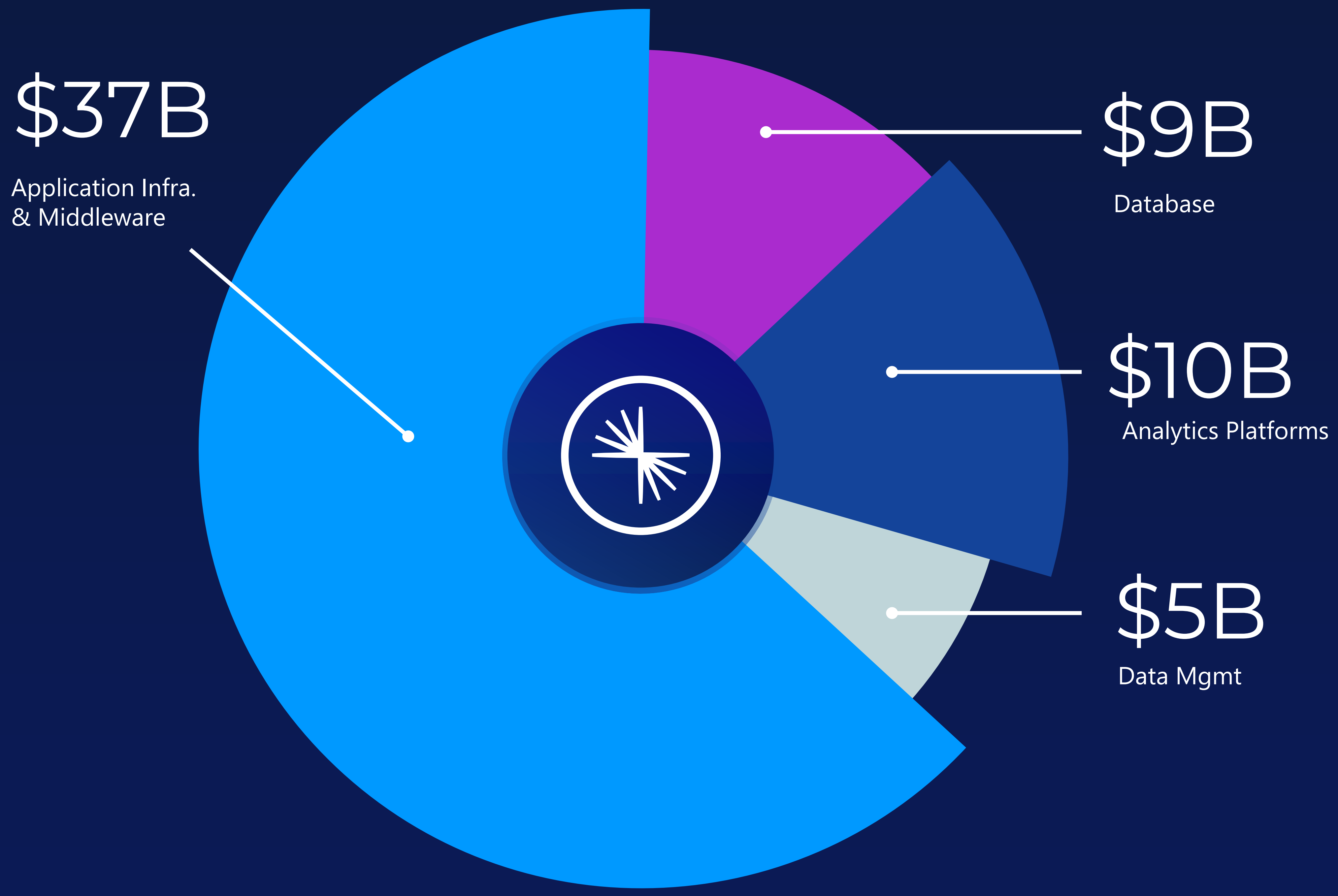
Differentiated Customer Growth GTM Model

3

Cloud consumption model + mission-critical workloads

How We View TAM Today

2022 Total Addressable Market (TAM) $60B[1]



2022-2025 TAM Growth[2]

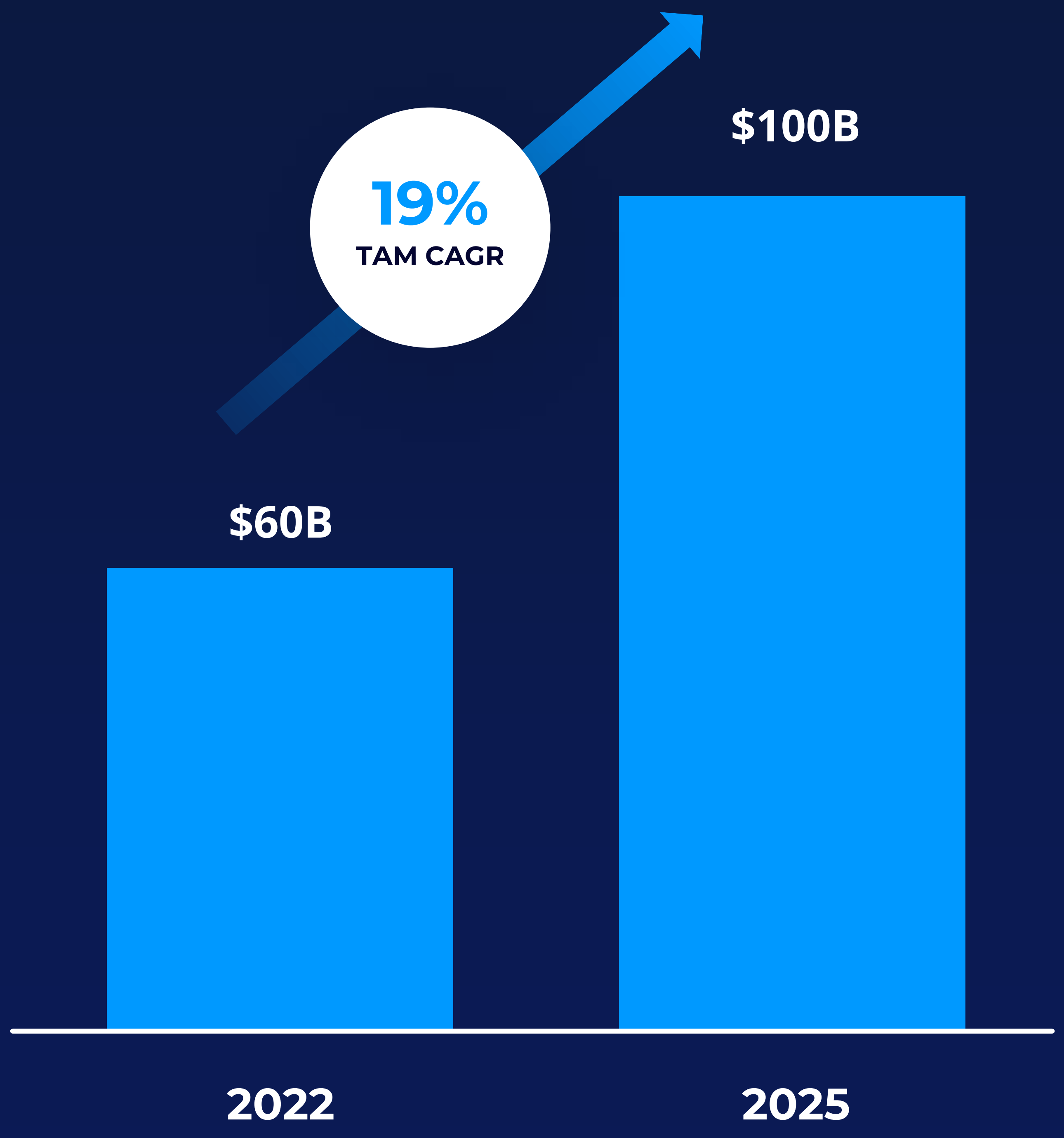


Chart created by Confluent based on Gartner® research
- Source: Enterprise Infrastructure Software, Worldwide, 2021-2027, 1Q23 Update, ID G00787965, By Analyst(s): Arunasree Cheparthi et al. 28 March 2023
- Source: Forecast: Enterprise Application Software, Worldwide, 2021-2027, 1Q23 Update, ID G00789110, By Analyst(s): Amarendra et al. 28 March 2023

[1] Market size based on Gartner estimates and Confluent product share based on internal analysis of use cases in each Gartner market category addressable with generally available Confluent products
[2] Confluent TAM based on estimated share of each Gartner market from 2022 to 2025, which is tied to our current product offering and planned product roadmap

1 Significant Opportunity for Converting Open Source Kafka to Confluent

APACHE kafka®

>150,000
Organizations Using Kafka

4,690
Confluent Customers

Leading with
Confluent Cloud

<6 Months
payback period

>75%
F500 Estimated Using Kafka

36%
of the F500 are Confluent Customers

Note: Stats and customer counts are as of period ended March 31, 2023. F500 stats are using the 2022 Fortune 500 List.

2

Leading to Strong Growth in Large Customers

3
$10M+ ARR

9
$5M+ ARR

135
$1M+ ARR

1,075
$100K+ ARR

+12x
$1M+ Since 2018

+6x
$100K+ Since 2018

>85%
Revenue from $100K

Note: ARR related customer count metrics are as of period ended March 31, 2023. Commencing with the first quarter of 2023, we updated our methodology for calculating ARR using a consumption-based method for Confluent Cloud, which has been applied retroactively to prior year periods. However, for 2018 figures we are using our previous methodology. Refer to our investor presentation on our investor relations website at investors.confluent.io for total NRR before and after the methodology change for certain prior year periods.

2

Differentiated Customer Growth GTM Model

NRR >130%
GRR >90%

For 8 quarters in a row

Cloud NRR
>140%

Highest NRR for newer cohorts

Strong
Network Effects

3.5x+ ARR expansion after 4 years

Note:
NRR and GRR under consumption methodology.
>140% Cloud NRR refers to since Q1'21 under consumption methodology. See Appendix for the "Cloud NRR" definition.
Expansion multiple after 4 years ago uses a combination of both consumption and prior methodologies.

3

Our Powerful Cloud Consumption Model

Serve
mission-critical
workloads in
data infrastructure

Power
revenue *(frontend)* and
operational *(backend)*
use cases

Expand
seamlessly in the
cloud with strong
network effects

Moving
up the stack with Flink
and capitalizing on Cloud
and Gen AI opportunities

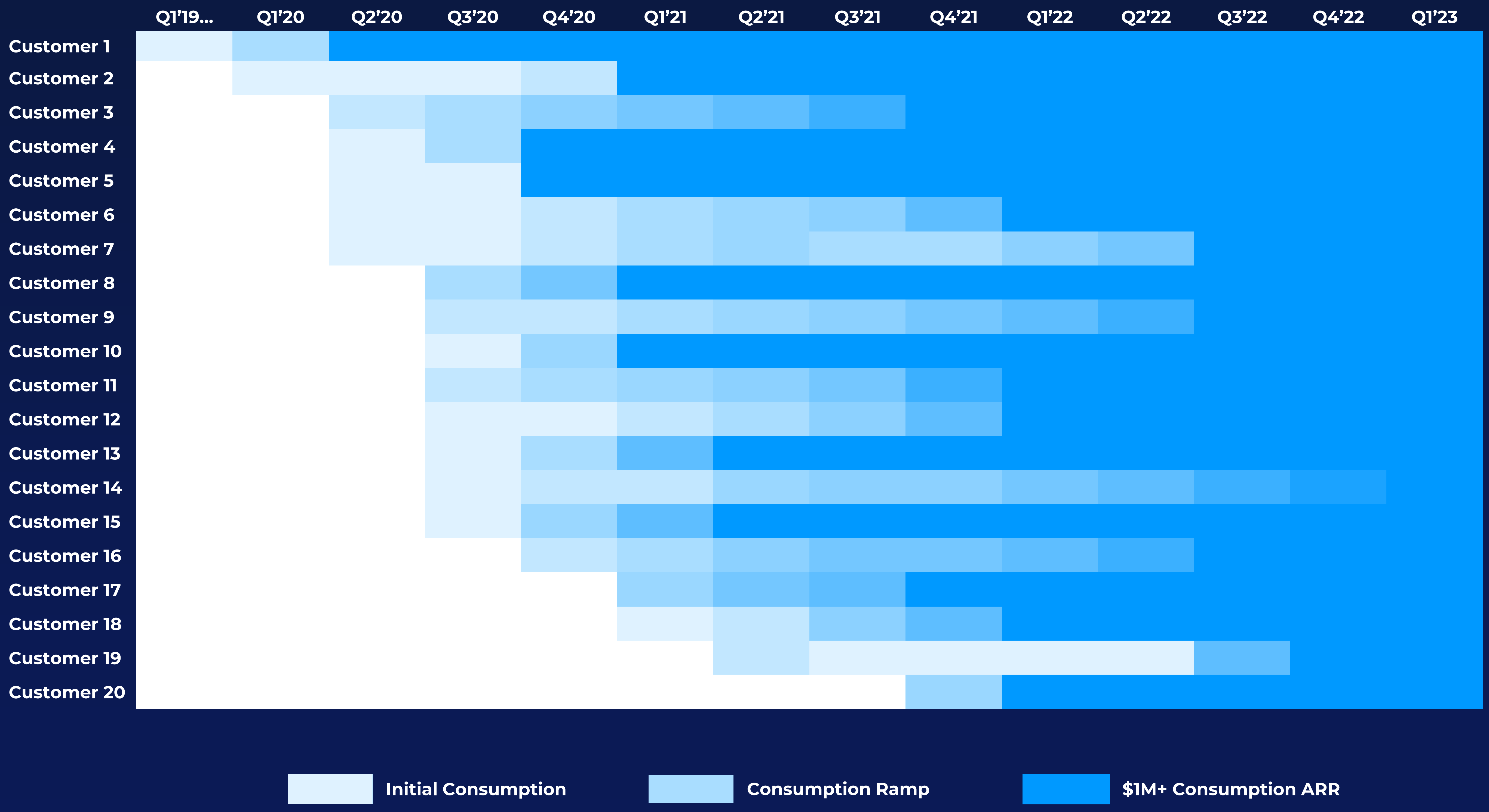
3

Top 20 Cloud Customers

11 unique industries

~50% started on PAYG

~40% hybrid customers



6 quarters to

$1M+

ARR

Average ARR of

$3M

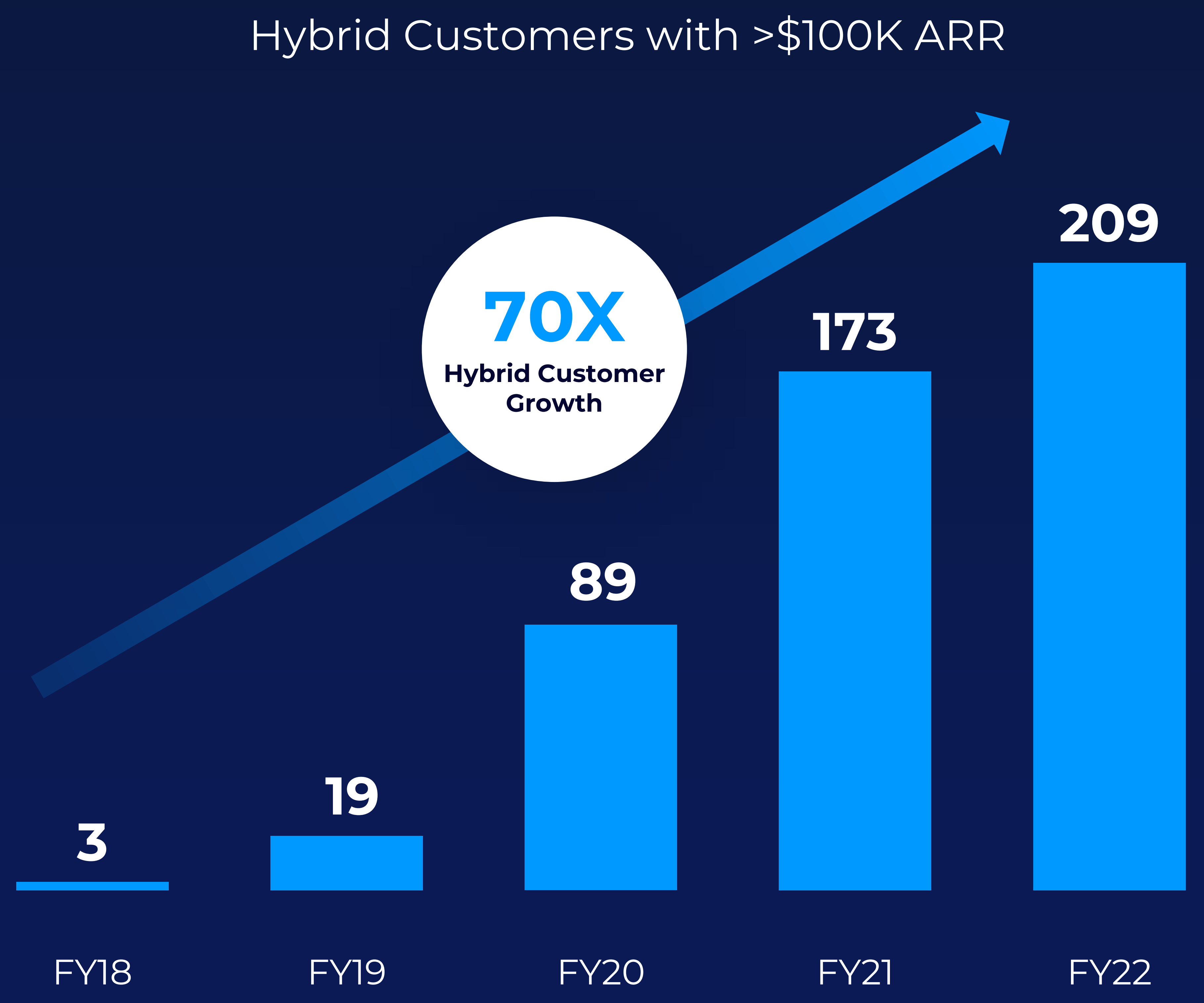
up from $0.6M two years ago

Total ARR multiple of

17x

Increasing Number of CP Customers are Adopting Cloud

3



- Majority of hybrid customers started with CP
- Cross-sell and upsell expansion with both CP and CC use cases
- This cohort has a high ASP and higher cloud expansion rate than the average cloud customer

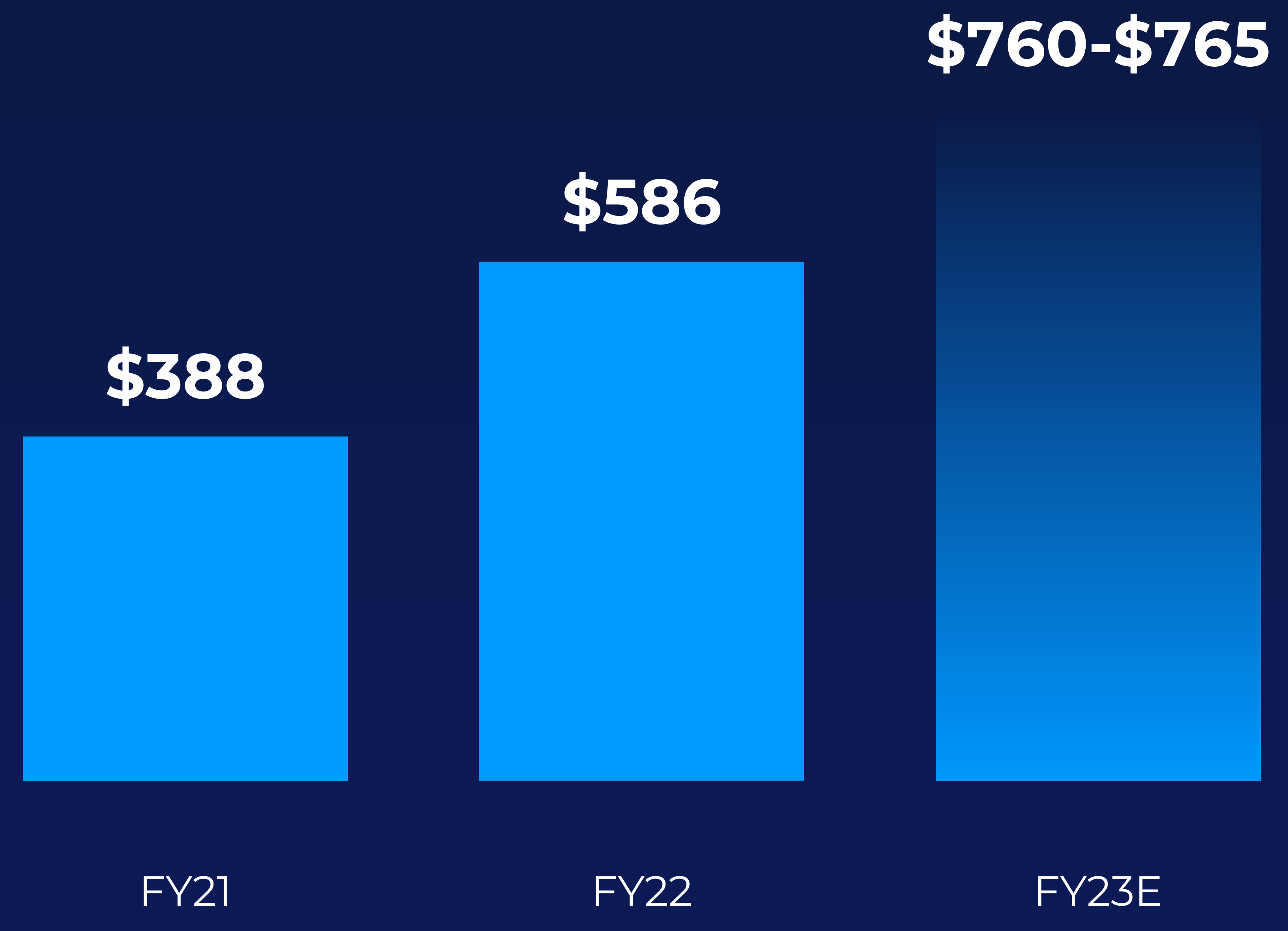
3 Marquee Cloud Customers Continue to Expand Consumption

Consumption ARR
$ in millions

Managing Growth and Profitability

Revenue at Scale with ~30% Growth Rate in FY23

Annual Revenue
$ in Millions

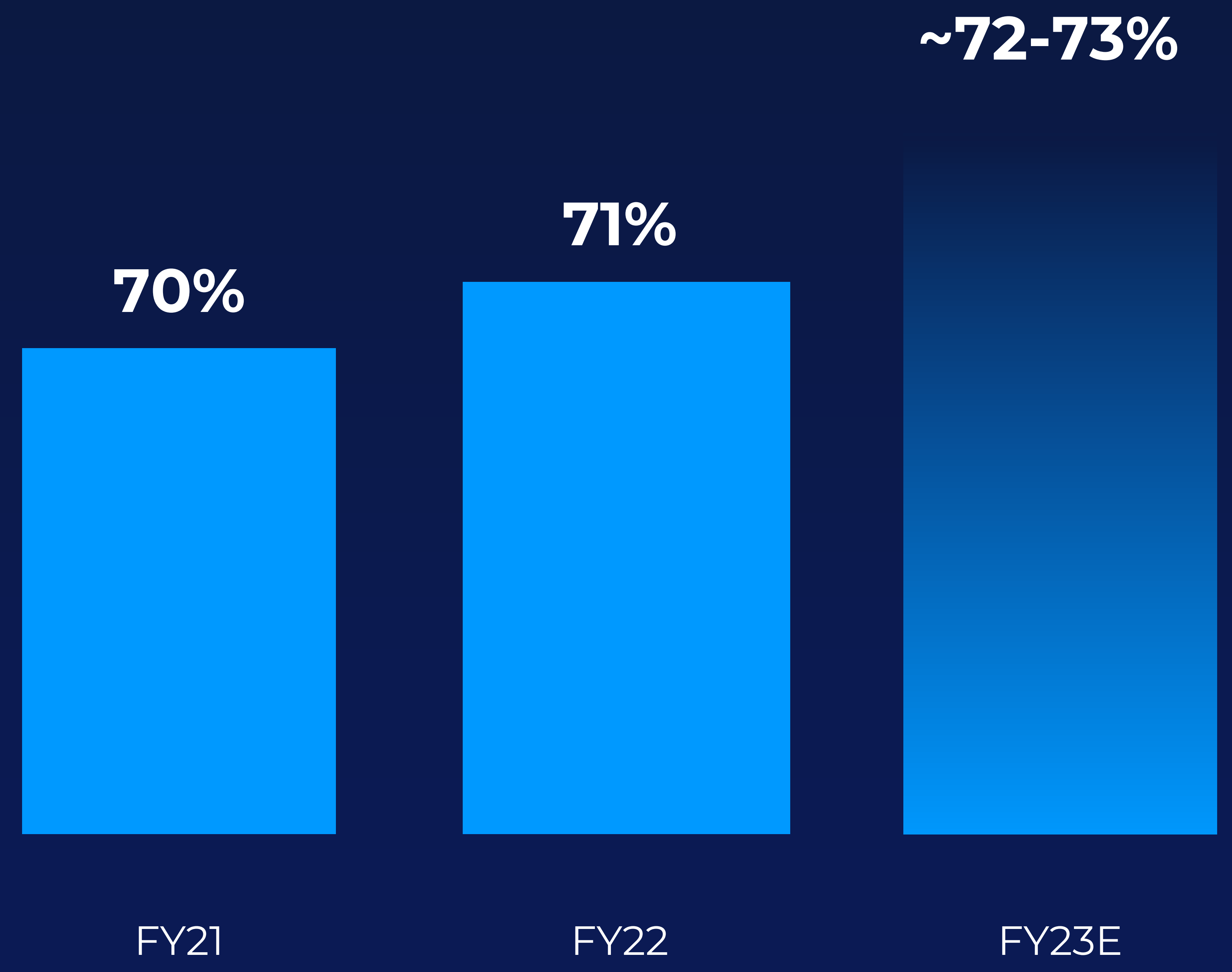


Growth Drivers

- Large and growing TAM
- Secular shift to cloud
- Penetrate and expand in high propensity segments
- Grow and harness partner ecosystem
- Continued international expansion
- Large cross-sell and upsell opportunities

Note: FY'23 estimated revenue of ~$760-765 million is as of Confluent's Q1'23 earnings call dated May 3, 2023.

Non-GAAP Gross Margin Continues to Improve Despite Cloud Mix Shift



Cloud Rev Mix Q4 Exit:	28%	41%	48-50%

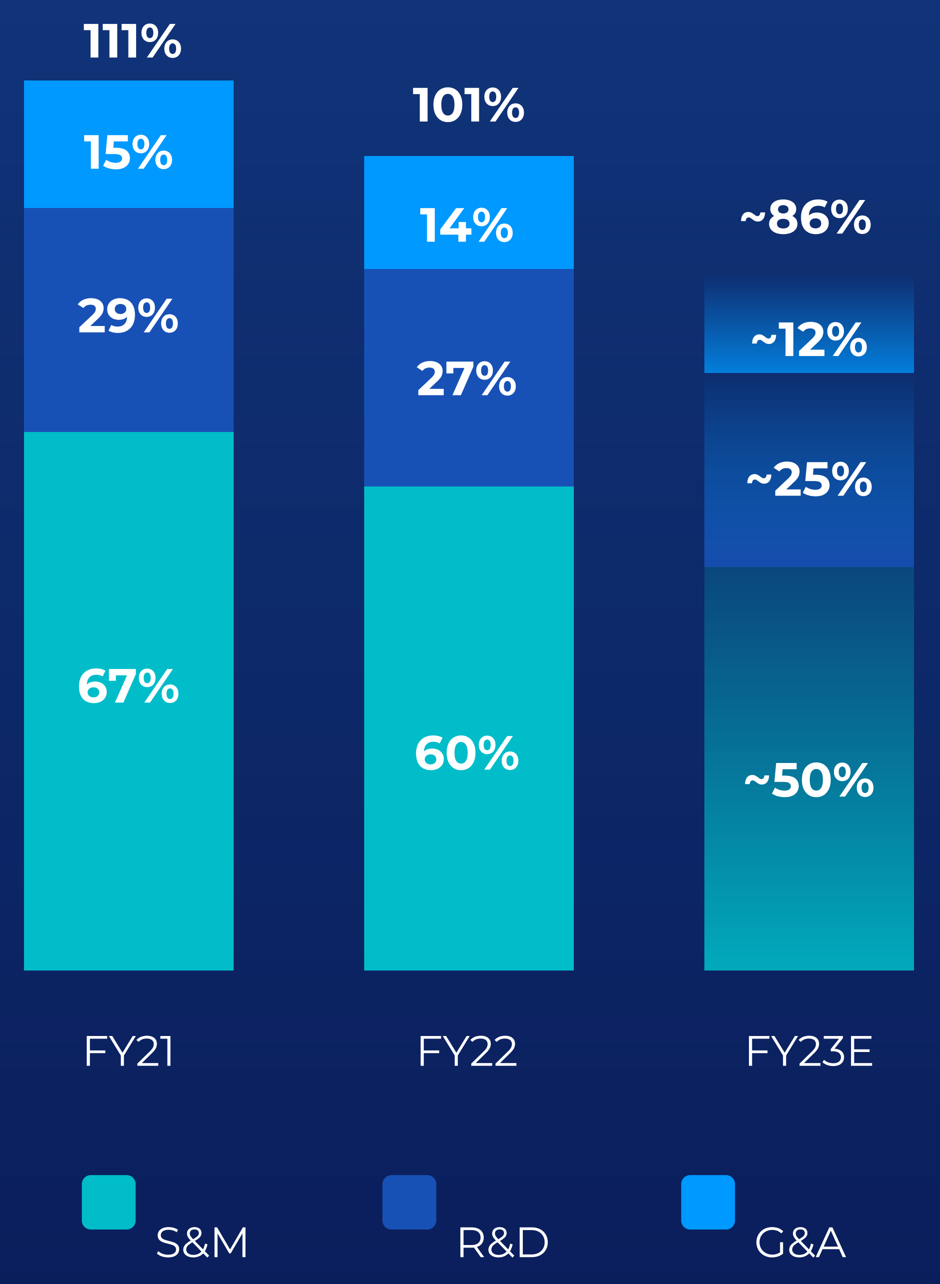
Margin Drivers

- Healthy margins for Confluent Platform
- Scale in cloud hosting costs
- New product and feature releases
- Infrastructure engineering optimizations
- Increasing mix of multi-tenant for cloud

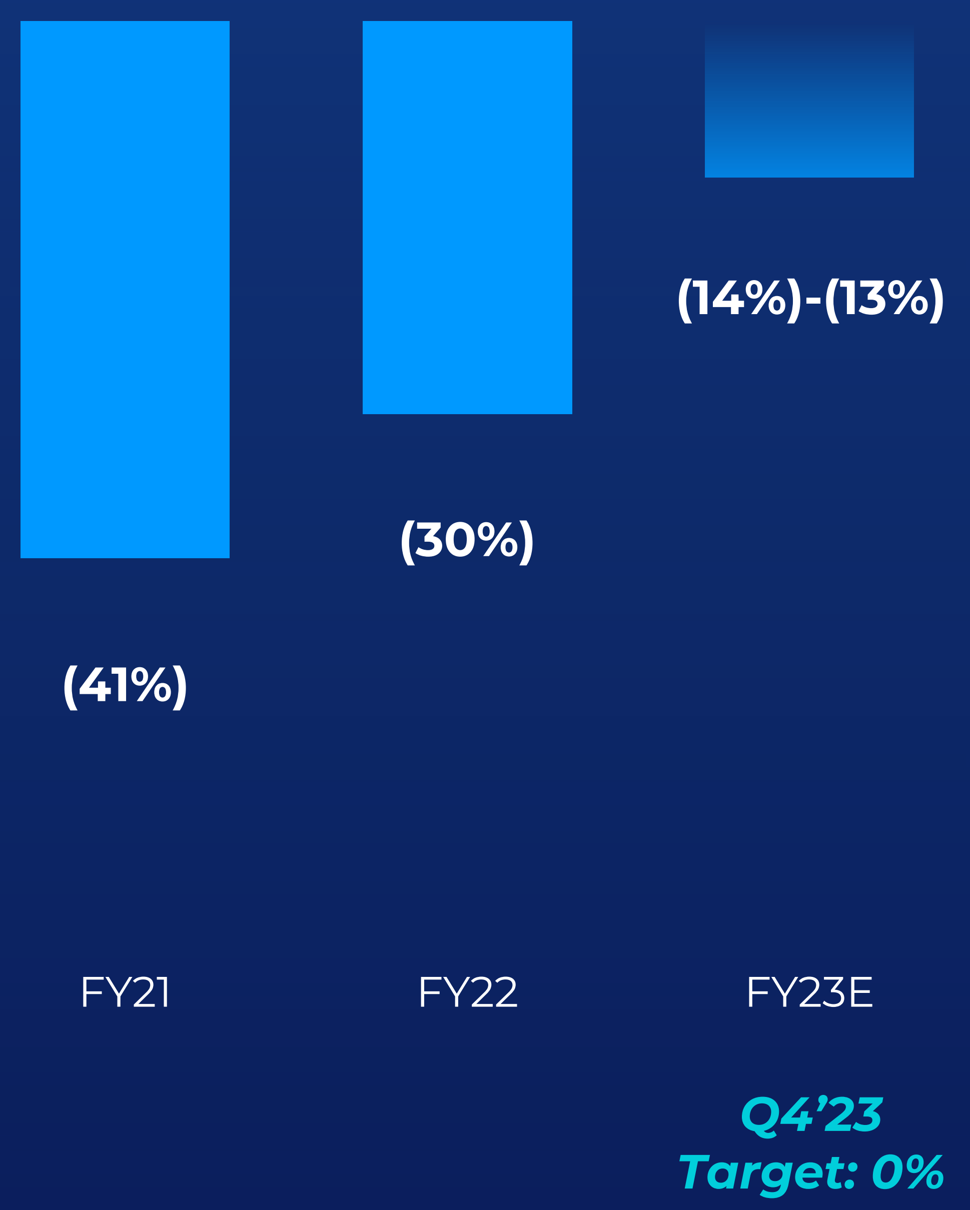
Note: FY'23 estimated Cloud revenue mix at Q4 Exit of 48-50% and estimated non-GAAP gross margin of ~72-73% for FY'23 are as of Confluent's Q1'23 earnings call dated May 3, 2023.
Refer to the slides in the section titled "GAAP to Non-GAAP Reconciliations" in the Appendix, for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial measures.

Scaling Costs Efficiently While Driving Growth

Non-GAAP Operating Expenses as % of Revenue



Non-GAAP Operating Margin %



Scale & Investment Drivers

- Investment in product innovation and sales capacity
- PAYG customer acquisition comes at low cost
- Greater network effects drive expansion
- Improving sales productivity

Note: Estimated non-GAAP operating margin of (14%)-(13%) for FY’23, estimated Q4’23 non-GAAP operating margin breakeven, and estimated non-GAAP operating expenses of 86% as a percentage of revenue are as of Confluent’s Q1’23 earnings call dated May 3, 2023. Refer to the slides in the section titled “GAAP to Non-GAAP Reconciliations” in the Appendix, for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial measures.

Managing Growth and Profitability: Path to Date

Non-GAAP	At Time of IPO Mid-Term Targets *>30% Annual Revenue Growth*	 Long-Term Targets
Gross Margin	~70%	72%-75%
Research & Development *% of total revenue*	~19%	16%-17%
Sales & Marketing *% of total revenue*	~38%	27%-30%
General & Administrative *% of total revenue*	~8%	6%-7%
Operating Margin	~5%	20%-25%
Free Cash Flow Margin	~10%	25%+

Key Attributes

- High growth rate >30% and Cloud mix growing towards 50%, high NRR & GRR
- Driving improvements in unit economics
- Proactive management of rate and pace in hiring
- **Accelerated path to profitability by one year**

Managing Growth and Profitability: Path Forward

1. Resourcing the company for ~30% annual revenue growth
2. Continuing to proactively manage rate and pace in hiring
3. Expect to achieve OM breakeven in Q4’23
4. Become profitable in FY’24 with 0% to 1% in OM, improving 13 to 14 points year over year
5. Expand OM to 5-10% while delivering top line growth

Assumptions

- Macro does not deteriorate materially
- Flink and FedRamp contribute according to plan

Note: OM refers to non-GAAP operating margin.
Expectation of positive non-GAAP operating margin upon Q4’23 exit and non-GAAP profitability in FY’24 are as of Confluent’s Q1’23 earnings call dated May 3, 2023.

Increasing Targets
Updated Growth and Profitability Framework

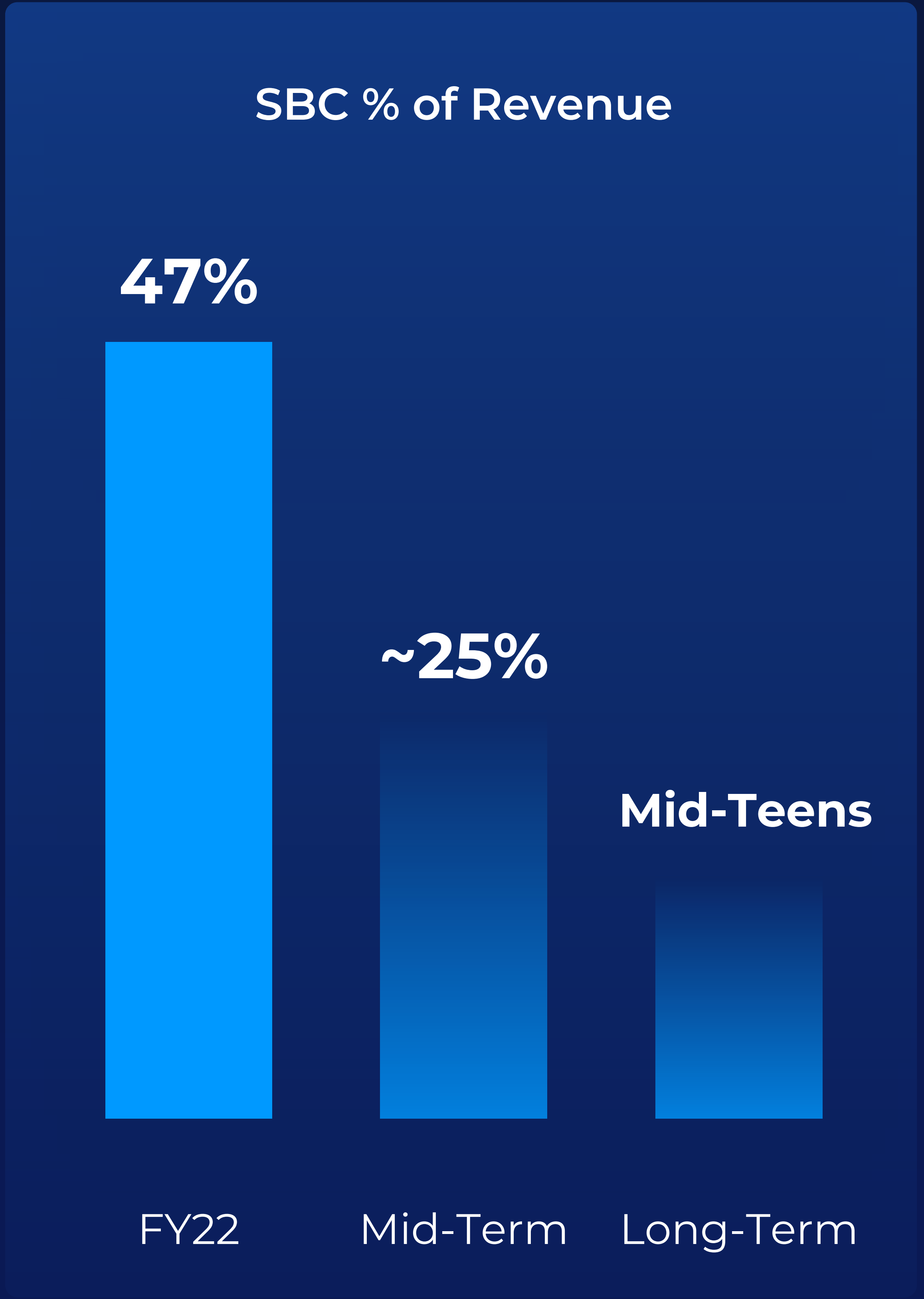
Non-GAAP	At Time of IPO		Updated Model	
	Mid-Term Targets *>30% Annual Revenue Growth*	Long-Term Targets	Mid-Term Targets *~30% Annual Revenue Growth*	Long-Term Targets
Gross Margin	~70%	72%-75%	**72%-75%**	**75%+**
Research & Development *% of total revenue*	~19%	16%-17%	**~19%**	**16%-17%**
Sales & Marketing *% of total revenue*	~38%	27%-30%	**~38%**	**27%-29%**
General & Administrative *% of total revenue*	~8%	6%-7%	**~8%**	**6%-7%**
Operating Margin	~5%	20%-25%	**5%-10%**	**25%+**
Free Cash Flow Margin	~10%	25%+	***In-line with OM***	

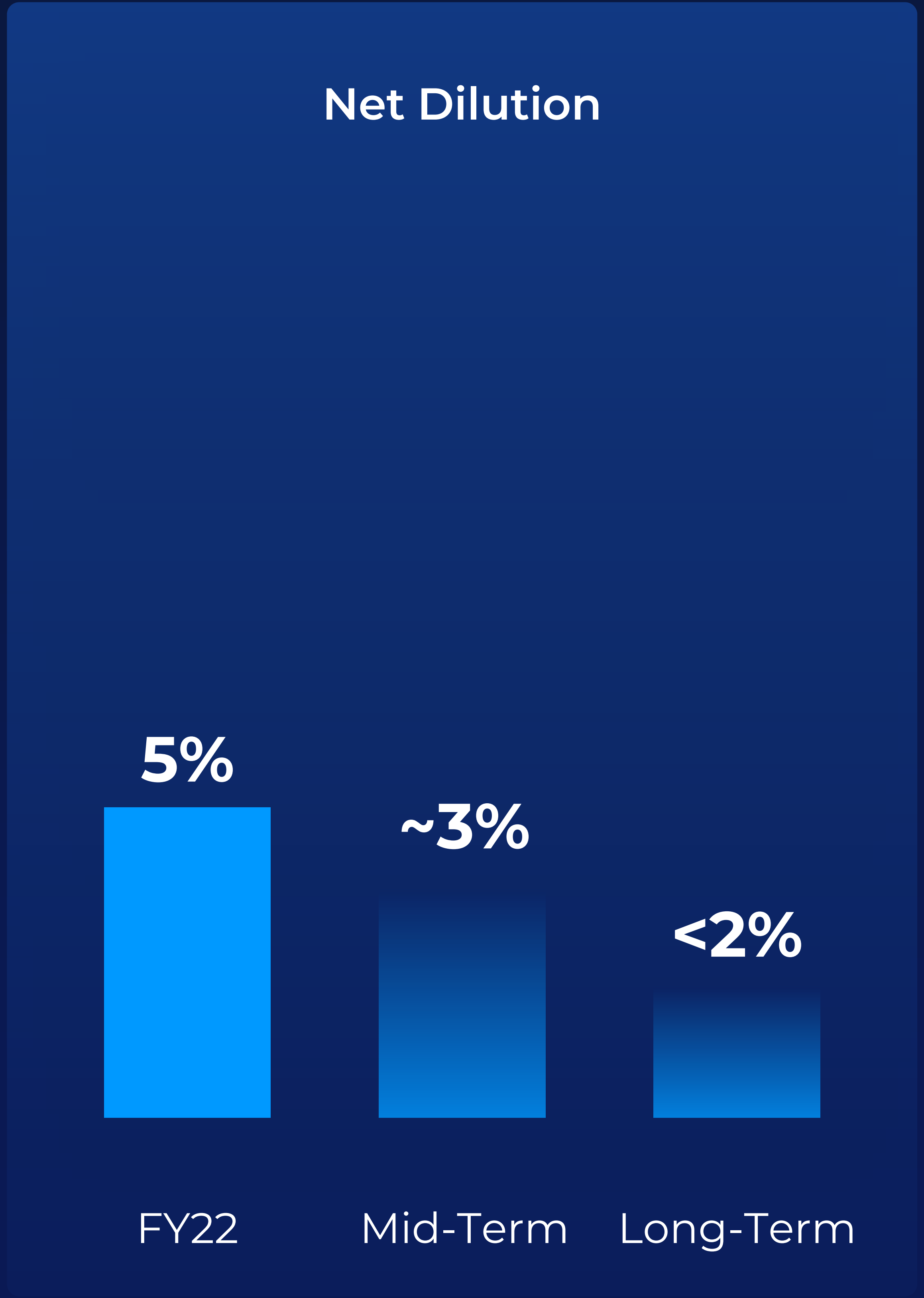
Changes since IPO Model

~80% Cloud Mix
Long Term

Top line growth determines rate of OM% expansion

Focus on Managing Dilution





Drivers

- SBC is a lagging indicator
- Final tranches of pre-IPO options recognized in SBC through 1H FY25
- FY23 net dilution target of 3-4%
- Focus managing net dilution LT below 2% and SBC % of revenue mid-teens

Note: Net dilution calculated as (shares granted - shares forfeited) / WASO

CONFLUENT

Financial Modeling Session

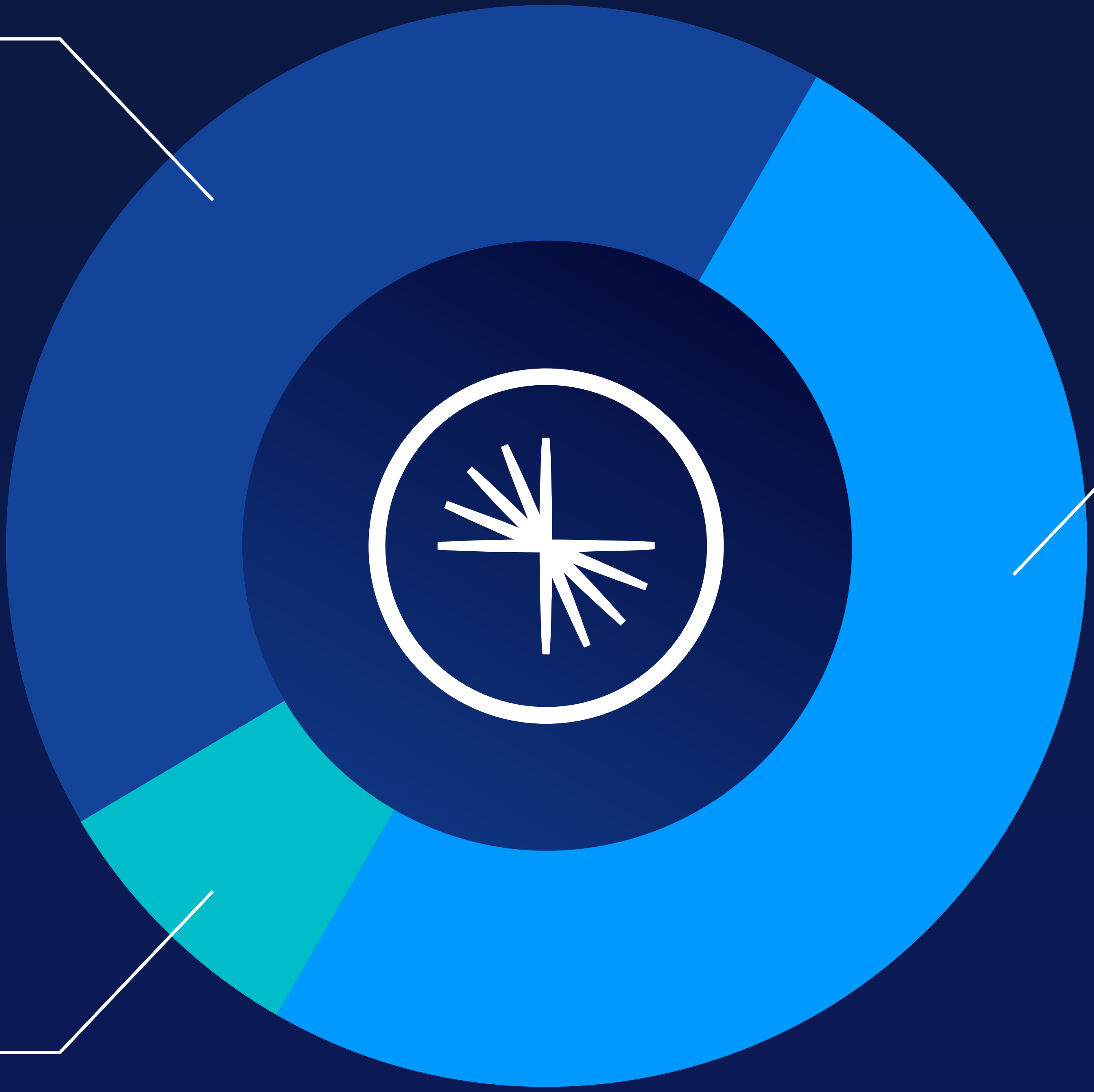
Rohan Sivaram
SVP Finance

The Power of Our Hybrid Model

Confluent Cloud (CC)

42%

Fully managed, cloud-native
Rev Rec: Consumption



Confluent Platform (CP)

50%

Self-managed software
Rev Rec: Upfront & ratable

Services

8%

Attached to product sales
Rev Rec: As delivered

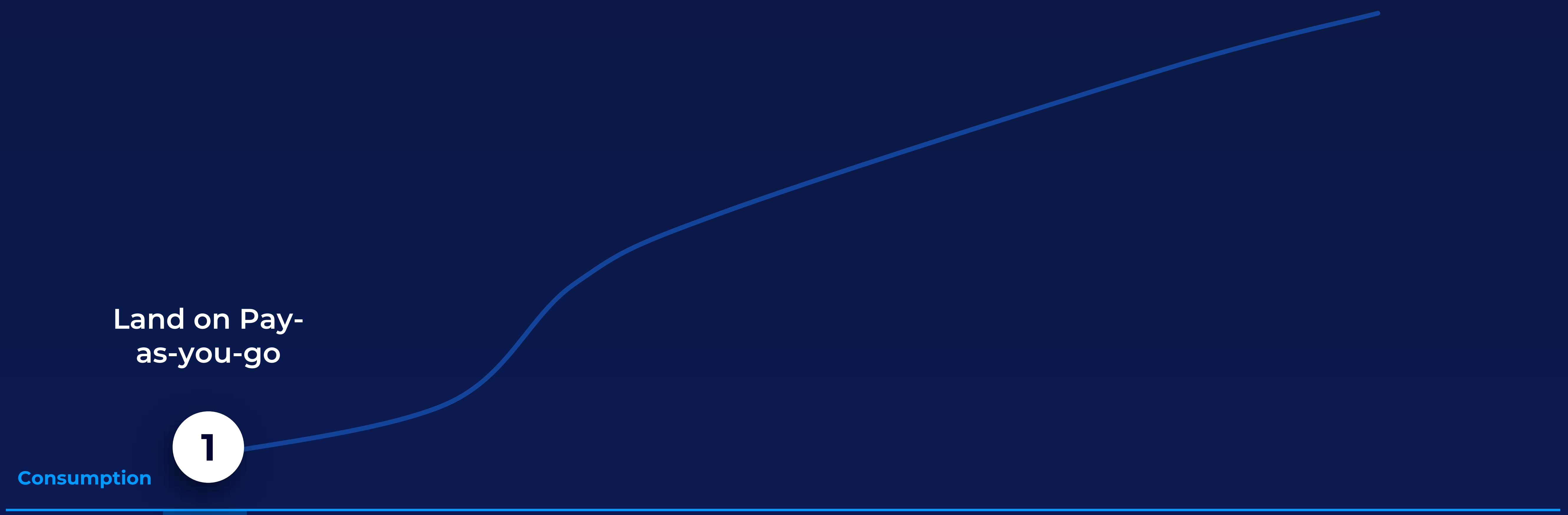
Note: 42% Confluent Cloud revenue mix, 50% Confluent Platform revenue mix, and 8% Services revenue mix are as of the quarterly period ended March 31, 2023.

Confluent Cloud: Key Terms & Expressions

1. **Pay-as-you-go (PAYG):** On demand offering available for customers to sign up on website
2. **Commit Consumption:** Customer commits to set consumption capacity priced based on type of cluster, compute power, data transfer, and storage used
3. **RPO / cRPO:** Committed future revenue not yet consumed
4. **Overage / Expiration:** Exceed / under consumption commitment
5. **Time to Ramp:** Time to reach contractual consumption run-rate of commit subscription

Confluent Cloud

Illustrative Example: ***Data in Motion, Inc. ("DIM") starts as a PAYG customer***



Months	1
Cloud Rev	$1K
cRPO/RPO	—
	PAYG

Milestone 1

- Lands small on **PAYG** with zero / low sales touch
- Consumption **revenue** of **$1K** in M1
- No impact to **RPO / cRPO**
- Contributes to **Total Customer Count**

Confluent Cloud

Illustrative Example: ***DIM Inc. signs $120K committed contract***

Months	1	2	3	4
Cloud Rev	$1K	$2K	$2K	$3K
cRPO/RPO	—	—	—	$117K

PAYG | COMMIT CONTRACT

Milestone 2

- **cRPO / RPO** balance of **$120K** at inception of commit contract
- After M1 of commitment; consumption revenue of **$3K revenue** recognized
- **RPO / cRPO** of **$117K** (RPO/cRPO Balance: $120K - Revenue Recognized: $3K)

Confluent Cloud

Illustrative Example: ***DIM Inc. reaches their contractual consumption run-rate "Time to Ramp"***

Months	1	2	3	4	5	6	7	8	9
Cloud Rev	$1K	$2K	$2K	$3K	$6K	$8K	$9K	$9K	$10K
cRPO/RPO	—	—	—	$117K	$111K	$103K	$94K	$85K	$75K
	PAYG			COMMIT CONTRACT					

Milestone 3

- Consumption reaches contractual run rate of **$10K** ($120K / 12 months) – **"Time to Ramp"**
- DIM now contributes to **>$100K ARR customer count** based on consumption ARR
- **Total Revenue** (6 months of Commitment) = **$45K**
- **RPO Balance** = **$75K** ($120K-$45K)

Confluent Cloud

Illustrative Example: ***DIM Inc. completes 12 months of committed contract***

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Cloud Rev	$1K	$2K	$2K	$3K	$6K	$8K	$9K	$9K	$10K	$11K	$12K	$13K	$13K	$14K	$15K
cRPO/RPO	—	—	—	$117K	$111K	$103K	$94K	$85K	$75K	$64K	$52K	$39K	$26K	$12K	—
	PAYG			COMMIT CONTRACT											

Milestone 4

- Last month run-rate of **$15K** is higher than **$10K** contractual run rate — sets up DIM well for **gross expansion** and **NRR**
- Revenue recognized = **$15K** - $12K from cRPO and $3K from Overage
- No remaining **RPO / cRPO** until renewal expansion

Confluent Cloud

Illustrative Example: ***DIM Inc. signs a renewal expansion agreement***

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16...
Cloud Rev	$1K	$2K	$2K	$3K	$6K	$8K	$9K	$9K	$10K	$11K	$12K	$13K	$13K	$14K	$15K	$15K+
cRPO/RPO	—	—	—	$117K	$111K	$103K	$94K	$85K	$75K	$64K	$52K	$39K	$26K	$12K	—	...
	PAYG			COMMIT CONTRACT												RENEWAL

Milestone 5

- DIM Inc commits to renewal with expansion for existing and new use cases
- Renewal will drive higher **Gross expansion** and **NRR**
- Higher **contribution margin** for expansion and renewals vs. land

Confluent Cloud: Key Modeling Takeaways

PAYG Start
~50% of cloud customers started on PAYG

Time to Ramp
~6 months on average

Cloud as % of Total RPO
Approximately 50% as of Q1'23

Cloud as % of Revenue
To reach ~48-50% exiting Q4'23

Revenue Seasonality
Lowest sequential add in Q1's and more pronounced increase in 2H of the year

Cloud NRR
Highest NRR for the company and greater than 140%

Confluent Platform: Key Terms & Expressions

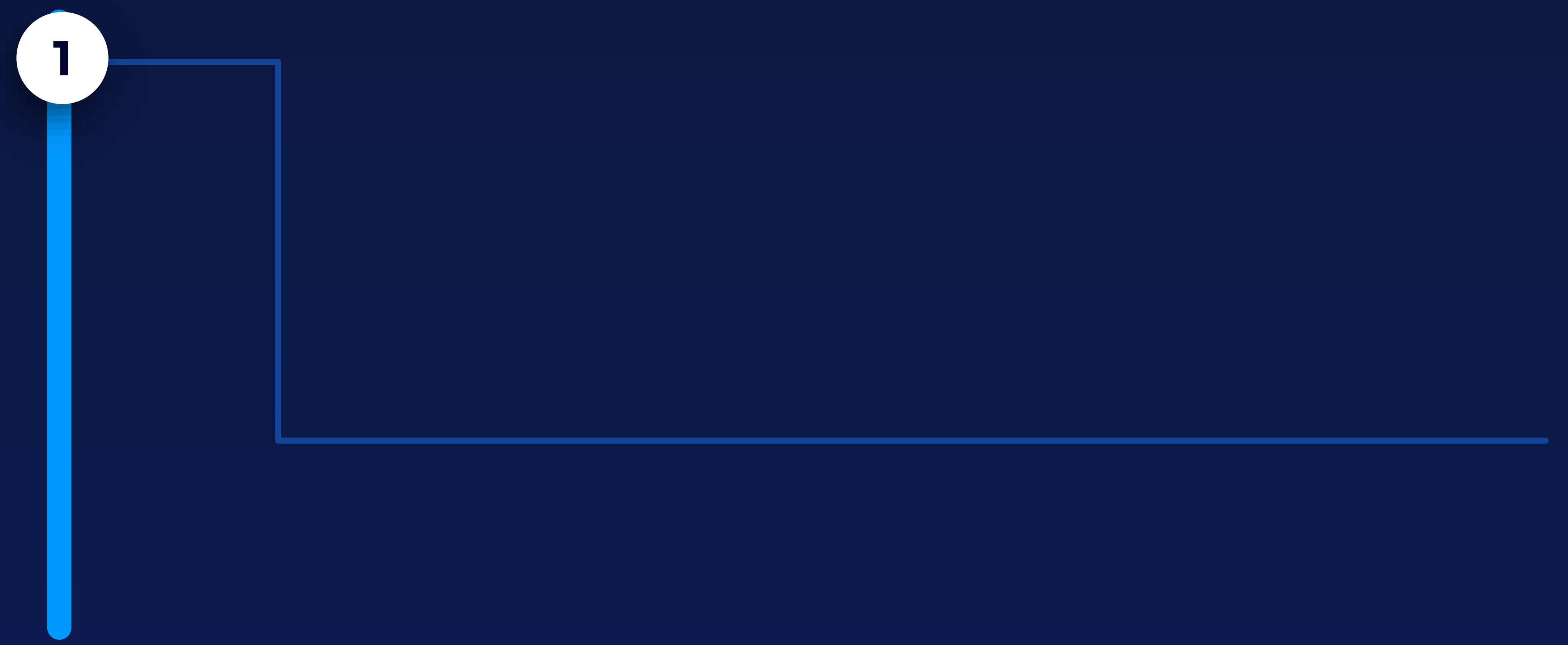
1. **Committed Contract:** Subscription type priced per node running on physical or virtual computing machines
2. **License Revenue:** ~20% upfront revenue recognition of total contract value, may vary based on contract length
3. **PCS** (post-contract customer support, maintenance, and upgrades): Ratable recognition throughout contract term
4. **RPO / cRPO:** Committed future revenue

Key Terms & Expressions | **Illustrative Example** | Modelling Takeaways

Confluent Platform

Illustrative Example: ***DIM Inc. commits to $200K CP, 2 year contract***

Upfront License Recognized / PCS Starts Ratable Recognition



Quarter	Q1
Upfront License Rev	$40K
PCS Rev	$20K
RPO	$140K
cRPO	$80K

Milestone 1

- CP revenue is **front loaded** in the first quarter due to the inclusion of the upfront license ($40K = $200K * 20%)
- As a result, RPO depleted faster in the first quarter
- cRPO ($80K) < RPO ($140K) as cRPO captures committed revenue for next 12 months vs. entire contract term

Confluent Platform

Illustrative Example: ***DIM Inc. commits to $200K CP, 2 year contract***

Quarter	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Upfront License Rev	$40K	—	—	—	—	—	—	—
PCS Rev	$20K	$20K	$20K	$20K	$20K	$20K	$20K	$20K
RPO	$140K	$120K	$100K	$80K	$60K	$40K	$20K	—
cRPO	$80K	$80K	$80K	$80K	$60K	$40K	$20K	—

Milestone 2

- First year revenue recognized ($120K of the $200K) contract value
- PCS ratable recognition continues till end of contract term
- cRPO and RPO are equal as there is one year remaining in contract

Milestone 3 & 4

- DIM Inc. is ready for renewal and expansion contract

Confluent Platform: Key Modeling Takeaways

~20% upfront and substantial majority ratable revenue

CP drives more revenue seasonality than CC due to upfront revenue recognition

CP leads to less RPO than equivalent CC deal

Key metrics: Customers > $100K/$1M, **NRR based on commit** (not consumption)

Other Key Modeling Points

Modeling Points	
Revenue Seasonality	Total revenue mix of ~44-48% in 1H and ~52-56% in 2H with Q1 being the seasonally weakest and Q4 the seasonally strongest quarters
Non-GAAP OM Seasonality	Lowest OM in Q1 due to impact from revenue seasonality and spend seasonality (ie sales / company kick-off)
Contract Term	Average total contract duration approximately 16-19 months
Taxes (1)	Non-GAAP tax $10M-$25M per year; Cash tax $9M-$13M per year As of December 31, 2022, had $1,283M federal, $689M state, $61M foreign NOL carryforwards
Interest Income	~$60-65M interest income in FY24/FY25
FCF Seasonality	Q1 to be lowest due to annual corporate bonus payout and ESPP settlement
CAPEX	2-3% of total revenue includes capital expenditures and amounts capitalized for internal-use software costs

(1) Amounts exclude taxes for IP integration costs from our acquisition of Immerok GmbH in January 2023.

Q&A

Jay Kreps
Co-Founder and CEO

Shaun Clowes
Chief Product Officer

Chad Verbowski
Chief Technology Officer

Erica Schultz
President of Field Operations

Steffan Tomlinson
Chief Financial Officer

Rohan Sivaram
SVP Finance

Stephanie Buscemi
Chief Marketing Officer

Customer Panel

Moderated By

Babak Bashiri
Director of Data Engineering
Vimeo

Mahesh Tyagarajan
VP, Platform Engineering & Architecture
McAfee

Sarvant Singh
VP, Data & Emerging Digital Solutions
Penske Transportation Solutions

Stephanie Buscemi
Chief Marketing Officer
Confluent

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Appendix

Definitions

Current Remaining Performance Obligations (“cRPO”):
Represents the estimated amount of contracted future revenue expected to be recognized as revenue over the next 12 months.

Remaining Performance Obligations (“RPO”):
Represents the estimated amount of contracted future revenue expected to be recognized as revenue at the end of each period, including both deferred revenue that has been invoiced and non-cancelable committed amounts that will be invoiced and recognized as revenue in future periods. RPO excludes pay-as-you-go arrangements.

Annual Recurring Revenue (“ARR”):
We define ARR as (1) with respect to Confluent Platform customers, the amount of revenue to which our customers are contractually committed over the following 12 months assuming no increases or reductions in their subscriptions, and (2) with respect to Confluent Cloud customers, the amount of revenue that we expect to recognize from such customers over the following 12 months, calculated by annualizing actual consumption of Confluent Cloud in the last three months of the applicable period, assuming no increases or reductions in usage rate. Services arrangements are excluded from the calculation of ARR. Prior to the first quarter of 2023, ARR with respect to Confluent Cloud customers excluded pay-as-you-go arrangements and was based on contractual commitments over the following 12 months, regardless of actual consumption. We adjusted our methodology for calculating ARR commencing with the first quarter of 2023 to incorporate actual consumption of Confluent Cloud and applied this change retroactively.

Dollar-Based Net Retention Rate (“Total NRR”):
We calculate our dollar-based net retention rate (NRR) as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end (“Prior Period Value”). We then calculate the ARR from these same customers as of the current period end (“Current Period Value”), and divide the Current Period Value by the Prior Period Value to arrive at our dollar-based NRR. The dollar-based NRR includes the effect, on a dollar-weighted value basis, of our Confluent Platform subscriptions that expand, renew, contract, or attrit. The dollar-based NRR also includes the effect of annualizing actual consumption of Confluent Cloud in the last three months of the applicable period, but excludes ARR from new customers in the current period. Our dollar-based NRR is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity.

Dollar-Based Gross Retention Rate (“GRR”):
We calculate our dollar-based gross retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end (“Prior Period Value”). We then calculate the ARR from these same customers, which includes contract contraction and attrition but excludes contract expansion, as of the current period end (“Current Period Value”). We divide the Current Period Value by the Prior Period Value to arrive at a dollar-based gross retention rate.

Cloud NRR:
We calculate our dollar-based NRR for Confluent Cloud using the same methodology as total dollar-based NRR, with the exception that only the ARR from Confluent Cloud consumption is included in the calculation.

Total Customers:
Represents the total number of customers at the end of each period. For purposes of determining our customer count, we treat all affiliated entities with the same parent organization as a single customer and include pay-as-you-go customers. Our customer count is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity.

Customers with $100,000 or greater in ARR:
Represents the number of customers that contributed $100,000 or more in ARR as of period end.

Customers with $1,000,000 or greater in ARR:
Represents the number of customers that contributed $1,000,000 or more in ARR as of period end.

Net Dilution:
(Shares granted during period - Share forfeited) / Weighted average shares outstanding

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY21	FY22
Total revenue	$387,864	$585,944
Total gross profit on a GAAP basis	$250,572	$383,529
Add: Stock-based compensation expense	17,989	32,389
Add: Employer taxes on employee stock transactions	1,013	1,173
Non-GAAP total gross profit	$269,574	$417,091
Non-GAAP total gross margin	*69.5%*	*71.2%*

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY21	FY22
Total revenue	$387,864	$585,944
Operating expenses on a GAAP basis	$590,192	$846,203
Less: Stock-based compensation expense	137,635	245,267
Less: Employer taxes on employee stock transactions	9,076	5,837
Less: Common stock charitable donation expense	13,290	-
Less: Acquisition-related expenses	-	1,104
Non-GAAP Operating expenses	$430,191	$593,995
Non-GAAP Operating expenses as a % of total revenue	*110.9%*	*101.4%*

	FY21	FY22
Total revenue	$387,864	$585,944
Research and development (R&D) expense on a GAAP basis	$161,925	$264,041
Less: Stock-based compensation expense	49,051	101,499
Less: Employer taxes on employee stock transactions	2,278	2,632
Non-GAAP R&D expense	$110,596	$159,910
Non-GAAP R&D expense as a % of total revenue	*28.5%*	*27.3%*

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY21	FY22
Total revenue	$387,864	$585,944
Sales and marketing (S&M) expense on a GAAP basis	$319,331	$456,452
Less: Stock-based compensation expense	55,506	99,366
Less: Employer taxes on employee stock transactions	4,266	2,485
Non-GAAP S&M expense	$259,559	$354,601
Non-GAAP S&M expense as a % of total revenue	*66.9%*	*60.5%*

	FY21	FY22
Total revenue	$387,864	$585,944
General and administrative (G&A) expense on a GAAP basis	$108,936	$125,710
Less: Stock-based compensation expense	33,078	44,402
Less: Employer taxes on employee stock transactions	2,532	720
Less: Common stock charitable donation expense	13,290	-
Less: Acquisition-related expenses	-	1,104
Non-GAAP G&A expense	$60,036	$79,484
Non-GAAP G&A expense as a % of total revenue	*15.5%*	*13.6%*

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY21	FY22	Q1'21	Q1'23
Total revenue	$387,864	$585,944	$77,028	$174,302
Operating loss on a GAAP basis	$(339,620)	$(462,674)	$(45,144)	$(166,093)
Add: Stock-based compensation expense	155,624	277,656	13,353	79,289
Add: Employer taxes on employee stock transactions	10,089	7,010	263	3,663
Add: Common stock charitable donation expense	13,290	-	-	-
Add: Amortization of acquired intangibles	-	-	-	113
Add: Acquisition-related expenses	-	1,104	-	9,317
Add: Restructuring and other related charges	-	-	-	33,382
Non-GAAP operating loss	$(160,617)	$(176,904)	$(31,528)	$(40,329)
Non-GAAP operating margin	*(41.4%)*	*(30.2%)*	*(40.9%)*	*(23.1%)*

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